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July 24, 2009

The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Email: economics.sen@aph.gov.au

Dear Sir/Madam,

SIMCOA Operations Pty Ltd Submission to the Senate Economics Legislation Committee Inquiry into the Renewable Energy (Electricity) Amendment Bill 2009 and a Related Bill

SIMCOA Operations Pty Ltd (Simcoa) welcomes the opportunity to make a submission to the Senate Economics Legislation Committee inquiry into the Renewable Energy (Electricity) Amendment Bill 2009 and a related bill.

SIMCOA Operations Pty Ltd / Silicon Production

Simcoa is Australia's only manufacturer of silicon, producing approximately 33,000 tonnes per annum of high-grade silicon for both international and domestic markets and employing approximately 140 employees. In 2008, silicon contributed approximately \$90 million in value to Australian exports.

The Simcoa silicon smelter in Western Australia is recognised as the world's most energy and carbon efficient silicon producer.

Silicon is a material that, in many forms, plays an important role in global sustainability. It is used to produce many products integral to the modern world such as photovoltaic cells, optical fibre, computer chips, semi-conductors, synthetic oils and aluminium alloys. Clearly, many of these products are pivotal in improving manufacturing efficiencies, contribute to the reduction of GHG emissions and minimise anthropogenic climate change.

The silicon production process is, together with aluminium production, the most energy intensive process in Australia, requiring approximately 11 MWh of electricity per tonne of silicon. The high energy consumption makes Simcoa particularly vulnerable to measures which will impact upon the cost of electricity. Eighty five percent of Simcoa's production is exported and domestic sales compete against silicon imported from China. In the context of the expanded RET Simcoa is considered to be a RET-Affected, Trade-Exposed (RATE) industry just as it is an EITE industry under the CPRS.

Need to Decouple RET Bill from CPRS Legislation

The rationale of assisting emissions-intensive trade-exposed or RATE industries, which face disproportionate costs from measures designed to constrain carbon emissions, has been comprehensively established and addressed in a number of Government schemes. This includes the Carbon Pollution Reduction Scheme (CPRS), the Victorian RET as well as the proposed NSW RET and WA RET, all of which have provision for assisting emissions-intensive trade-exposed industry.

It would be counter productive to fail to extend similar arrangements to the expanded RET which has a similar potential to lead to carbon leakage as other measures. This however will now occur should the RET legislation be implemented before the CPRS legislation is passed.

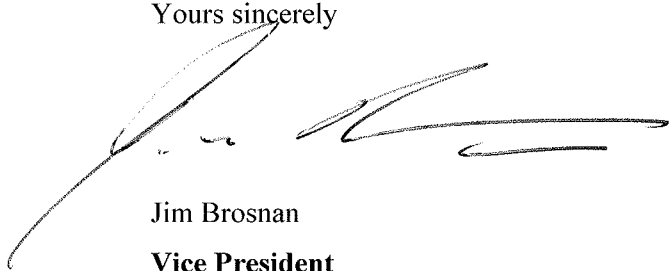
Due to the extreme energy intensity of the silicon smelting process, as has already been recognised in the draft CPRS legislation, even with the partial exemption proposed as an EITE industry, Simcoa will still face a significant increase in its operating costs.

Simcoa is not seeking a full exemption from the cost of RECs as we accept that all companies have a responsibility to share the cost burden of addressing climate change. Without the proposed partial exemption for RATE industries, Simcoa will, however, bear an inordinate portion of this burden. The cost to Simcoa will commence at around \$1.2 million pa in 2010 increasing to \$2 – 3 million pa by 2020, representing a significant percentage increase in operating costs.

In the current economic climate, such a reduction in profitability would have a significant impact on the profitability of Simcoa and particularly on the viability of a capacity increase currently under review.

Simcoa appreciates the opportunity to express its concerns to the Inquiry and would be pleased to provide more information with respect to the impact of the RET legislation on silicon smelting in Australia.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jim Brosnan', with a long horizontal flourish extending to the right.

Jim Brosnan

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SIMCOA Operations**

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